

Suspense Account rider

1. As to paragraph 38:

- (1) Post Office does not have a clear understanding of what the Claimants are defining to be a "suspense account" or what is meant by the phrase "unattributed surpluses including those generated from branch accounts".
- (2) Post Office operates, as part of its central financial management systems, certain accounting ledgers in relation to its dealings with Post Office clients and other matters. These accounts are part of the reconciliation process described in paragraph [39 XX] and may have credits recorded in them. For example :
 - (a) A client, such as a bank, makes a payment to Post Office in respect of a particular transaction undertaken in a branch but the payment exceeds the amount that Post Office considers to be due.
 - (b) Post Office does not reach agreement with the client as to the amount due and the client does not accept repayment of what Post Office considers to be the overpayment.
 - (c) Post Office also seeks to determine, without success, whether the overpayment is due to be passed back to a branch as a credit (via the Transaction Correction process).
 - (d) Where the proper beneficiary of the credit cannot be determined, the resulting overpayment is temporarily recorded as a credit in Post Office's accounts. If it is not resolved within 3 years, the amount may be credited to Post Office's profit and loss account.
- (3) The operation of accounts in this way reflects ordinary business practice.

2. As to paragraph 39:

- (1) The Claimants have not pleaded any "shortfalls wrongly attributed to the Claimants". In these circumstances, Post Office does not speculate as to how any such shortfalls could in principle have arisen and how, if at all, such shortfalls (or, more accurately, the losses giving rise to such shortfalls) might relate to any

discrepancies between Post Office and its clients. In the absence of proper particulars, there is no case to which Post Office can meaningfully respond.

- (2) Notwithstanding this, a shortfall in a branch is one that is declared by a Subpostmaster, as per the Branch Trading Statement process described at paragraph [xx] above, and is not "attributed" to that branch by Post Office. As per paragraph [93 XX – the para on clause 12.12], absent evidence to the contrary, the Subpostmaster is liable for that shortfall.
- (3) Post Office looks to reasonably help Subpostmasters avoid or mitigate the liability for the shortfall by reconciling branch transaction records against those of Post Office clients and then issuing Transaction Corrections where appropriate, as described at paragraph [XX] above.
- (4) This reconciliation process is however not perfect. There are situations where an over or under payment by or to a Post Office client cannot, through reasonable effort, be matched to a branch or be determined as a sum that should be returned to a branch. These circumstances could lead to unresolved credits of the type described in paragraph [73 XX] above being taken into Post Office's profit and loss accounts after 3 years.
- (5) Further or alternatively, pending further particulars from the Claimants as to what they mean by "suspense accounts", Post Office believes that the unresolved sums moved by default after 3 years from its accounting ledgers and into its profit and loss account will be inconsequentially small in comparison to the shortfalls recorded in the branches of most Claimants. [TO BE CONFIRMED BY DELOITTE AND POL]
- (6) In any event, in light of Post Office's position on the true meaning of the SPMC, as set out below at [94(4) XX], the operation of Post Office's accounting ledgers does not affect a Subpostmaster's liability for a shortfall.